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September 26, 2012

Kimberley J. Santopietro
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

Re: Docket No. 12-05-04: PURA Review of Electric Bill Charges and Costs

Dear Ms. Santopietro:

Enclosed please find the Joint Responses of Dominion Retail, Inc. and Retail Energy Supply Association to the Public Utilities Regulatory Authority's (Authority) Interrogatories RA-13 and RA-14 in connection with the above-referenced matter.

I certify that a copy hereof has been sent to all participants of record as reflected on the Authority's service list as of this date. A copy has also been filed with the Authority as an electronic web filing and is complete.

Please do not hesitate to contact me if you have any questions or require additional information. Thank you.

Very truly yours,



Joey Lee Miranda

Enclosure

Copy to: Service List



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STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Docket No. 12-05-04

Witnesses Responsible:

Stuart Ormsbee
Retail Energy Supply Association ("RESA")¹

Jeff L. Jones
Dominion Retail, Inc.

Date: September 26, 2012

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RA-13 (COMMENTS) Comment on the Written Comments submitted on July 9 and 10, 2012, by the participants to this proceeding.

**JOINT
RESPONSE:**

On July 10, 2012, The Connecticut Light and Power Company ("CL&P") and The United Illuminating Company ("UI") submitted written comments setting forth the various charges that are collected in each of the rate components that appear on customer bills.² Because the two companies presented the information in different ways, it was difficult to determine from the comments themselves whether both electric distribution companies ("EDCs") are collecting all of the same costs within the same rate components.³ Further, to the extent that both EDCs appeared to provide comparable information, the labels

¹ RESA's members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

² *See, generally*, Correspondence from CL&P, dated July 10, 2012 ("CL&P Comments"); Written Comments of The United Illuminating Company, dated July 10, 2012 ("UI Comments").

³ *Compare* UI Exhibit C-1 (Bypassable FMCC Expenses by Type) *with* CL&P Exhibit A, Page 4 of 9 (Generation Service Charge *and* Bypassable Federally-Mandated Congestion Charges).

assigned to the various cost components do not appear to be the same.⁴ A review of both EDCs' most recent Generation Service Charge ("GSC") and Federally Mandated Congestion Charges ("FMCC") reconciliation filings further demonstrate the disparity in the rate components used to collect certain charges and the labeling of the various charges.⁵

For instance, UI collects its power supply costs in the GSC while CL&P collects its power supply costs in the Bypassable FMCC ("BFMCC"). Moreover, while both EDCs collect regulatory expenses in the BFMCC, UI calls it "Regulatory Commission Expense" and CL&P calls it "Regulatory Assessment Expense." Further, there also appear to be charges that are collected by one EDC but not the other. For instance, CL&P collects Operating Reserves and Regulation costs in its GSC but UI does not appear to collect these costs in its GSC, BFMCC or Non-Bypassable FMCC ("NBFMCC").⁶

The following table summarizes the disparities in the two companies' GSC/FMCC reconciliation filings:⁷

GSC	UI	CL&P	COMMENTS
Power Supply	X		CL&P Collects in BFMCC
Retail Access	X		CL&P Does Not Appear to Collect this Charge
Regulatory Commission Expense	X	X	Assumes CL&P "Regulatory Assessment Expense" is same

⁴ Compare UI Exhibit C-2 (Non-Bypassable FMCC Expenses by Type) with CL&P Exhibit A, Page 5 of 9 (Non-Bypassable Federally-Mandated Congestion Charges).

⁵ Compare Docket 12-08-01, PURA Semi-Annual Reconciliation of the Federally Mandated Congestion Cost and Generation Service Charges of The Connecticut Light and Power Company and The United Illuminating Company, UI Semi-Annual Reconciliation of FMCC/GSC - August 2012 ("UI Reconciliation Filing") with Docket 12-08-01, PURA Semi-Annual Reconciliation of the Federally Mandated Congestion Cost and Generation Service Charges of The Connecticut Light and Power Company and The United Illuminating Company, Semi-Annual Reconciliation of The CL&P's Federally Mandated Congestion Costs and Generation Services Charge ("CL&P Reconciliation Filing").

⁶ *Id.*

⁷ This table was compiled from the information presented in the UI Reconciliation Filing and CL&P Reconciliation Filing.

GSC	UI	CL&P	COMMENTS
GSC Working Capital	X	X	
Uncollectibles	X	X	
Operating Reserves		X	UI Does Not Appear to Collect this Charge
Regulation		X	UI Does Not Appear to Collect this Charge
ISO ICAP		X	UI Does Not Appear to Collect this Charge
ISO ARR Revenue		X	UI Collects in BFMCC
TSO Capacity		X	UI Does Not Appear to Collect this Charge
TSO Broker Fees		X	UI Does Not Appear to Collect this Charge
Non-Contract QFs		X	UI Does Not Appear to Collect this Charge
Consulting Fees		X	UI Does Not Appear to Collect this Charge
Prepaid Regulatory Assets – Rate Base		X	UI Does Not Appear to Collect this Charge
BFMCC	UI	CL&P	COMMENTS
FTR Cost	X	X	
LMP Differential	X		Same as CL&P “Congestion Risk Management”?
FTR Revenue	X	X	
ARR Revenue	X		CL&P Collects in GSC
Power Supply		X	UI Collects in GSC
Congestion Risk Mitigation		X	Same as UI “LMP Differential”?

NBFMCC	UI	CL&P	COMMENTS
ISO Load Response	X	X	
NOATT Schedule 2	X	X	CL&P Labels this Charge "VAR Support"
ISO Schedule 1	X	X	
TOUT	X		CL&P Does Not Appear to Collect this Charge
ISO Schedule 5	X	X	
EIA Costs	X	X	
CfDs	X	X	
LREC/ZREC	X		CL&P Does Not Appear to Collect this Charge
Black Start	X	X	
ISO Schedule 2		X	UI Does Not Appear to Collect this Charge
ISO Schedule 3		X	UI Does Not Appear to Collect this Charge
GIS Costs/ISO Misc.		X	UI Does Not Appear to Collect this Charge
Consulting Fees		X	UI Does Not Appear to Collect this Charge
Project 150		X	UI Does Not Appear to Collect this Charge

The apparent inconsistencies between the EDCs in the costs collected, the labeling of those costs and the rate component within which each cost is collected create confusion and make it difficult for ratepayers and interested stakeholders to garner any understanding of the various costs that comprise each of the EDCs' rates.

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Docket No. 12-05-04

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RA-14 (RECOMMENDATIONS) Provide recommended changes (if any) to the charges under review. For example should there be changes to the name or definition of the charge? Should some cost components be moved to another existing charge or establish a new charge, such as a state mandated program charge? Should there be individual customer class responsibility for certain cost components? If so, provide explanation and details.

JOINT
RESPONSE:

First and foremost, RESA and Dominion Retail, Inc. (collectively, the "Suppliers") recommend that the Public Utilities Regulatory Authority ("Authority") require the electric distribution companies ("EDCs") to explain the apparent discrepancies between the EDCs in the costs collected, the labeling of those costs and the rate component within which each cost is collected.⁹ Once the EDCs have done so, the Suppliers request that the Authority require the EDCs to harmonize the cost recovery of these various costs such that each EDC is collecting the same costs within the same rate components.

⁸ RESA's members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

⁹ See Suppliers' Response to Interrogatory RA-13.

In doing so, the Suppliers also request that the Authority require the EDCs to follow well-established, cost-causation principles (i.e., the EDC should recover expenses that are generation-related in the bypassable portion of rates). As the Suppliers explained in their initial comments, an improper allocation of generation related costs to distribution rates is patently unfair to customers who choose competitive supply because they are paying duplicate costs and subsidizing the supply costs of those customers who choose to stay with the EDC supply option. Further, because such an improper allocation results in "hidden" costs, customers are unable to identify the true value of supplier competitive offerings and are more likely to forego the competitive supply option; thereby, inhibiting the retail competitive electric market in Connecticut. Conversely, when costs are appropriately allocated between the EDCs' generation and distribution rates, consumers can properly evaluate the cost of generation services and avoid paying costs for which they are not responsible.¹⁰ Accordingly, as part of its review of the various charges on the EDCs' electric bills and the costs passed through each charge, the Suppliers request that the Authority ensure that costs are properly allocated and, to the extent they are not, reallocate those costs. Specifically, the Suppliers request that the Authority ensure that all costs that the EDCs incur to provide generation services to their customers are included in the bypassable portion of rates.

The EDCs essentially incur three types of costs to provide generation services to their customers: (a) wholesale costs; (b) procurement and energy provision costs; and (c) administrative costs. The EDCs' wholesale supply costs are billed through ISO New England ("ISO-NE"). These ISO-NE costs can be identified as either billed to electrical load (i.e., billed based on energy) or as billed to transmission (i.e., only billed to transmission customers). If the costs are billed to electrical load, those costs are generation related and should be bypassable when a customer selects a third-party supplier.

The following costs are currently billed to electrical load:

- Energy costs, including costs associated with congestion and losses;
- Capacity costs, including costs associated with Installed Capacity ("ICAP") and the Forward Capacity Market ("FCM");
- Costs for ancillary services related to the supply of energy and capacity (e.g., spinning reserves a/k/a operating reserves, Real Time Reserves, etc.);

¹⁰ See Joint Comments of Dominion Retail, Inc. and Retail Energy Supply Association, dated July 10, 2012, at 6.

- Daily Reliability Must Run (“RMR”) charges not associated with any agreements (a/k/a RMR uplift);
- Regulation (a/k/a automatic generation control);
- Locational Forward Reserve (“LFR”) costs;
- Credits for Financial Transmission Rights (“FTR”) auction revenues (a/k/a Auction Revenue Rights);
- ISO Schedule 2 costs;
- ISO Schedule 3 costs;
- ISO credit insurance costs;
- ISO participant default costs;
- GIS administration costs; and
- ISO Load Response costs.

All of these costs are related to the provision of energy and can be readily identified and easily quantified. Moreover, because these costs are billed based on energy, they are directly avoided on a dollar for dollar basis by the EDCs when a customer chooses a third-party supplier. Nevertheless, it appears that CL&P currently recovers its ISO Schedule 2, ISO Schedule 3, GIS administration and ISO Load Response costs through its Non-Bypassable Federally Mandated Congestion Charges (“NBFMCC”)¹¹ and that UI collects ISO Load Response Costs through its NBFMCC.¹² Thus, to the extent they are not already, the Suppliers request that the Authority require the EDCs to directly recover all of these costs on a dollar for dollar basis in their bypassable rates.

In addition to these ISO-NE charges, the EDCs incur the following additional costs associated with the procurement and provision of Standard Service and Last Resort Service:

¹¹ See Docket 12-08-01, *PURA Semi-Annual Reconciliation of the Federally Mandated Congestion Cost and Generation Service Charges of The Connecticut Light and Power Company and The United Illuminating Company*, Semi-Annual Reconciliation of The CL&P's Federally Mandated Congestion Costs and Generation Services Charge.

¹² See Docket 12-08-01, *PURA Semi-Annual Reconciliation of the Federally Mandated Congestion Cost and Generation Service Charges of The Connecticut Light and Power Company and The United Illuminating Company*, UI Semi-Annual Reconciliation of FMCC/GSC - August 2012.

- Energy procurement costs, portfolio management costs and incentives;
- Hedging costs, including costs associated with forward hedges placed at the highest point in the market;
- Net charges associated with the acquisition of financial transmission rights (“FTRs”); and
- Renewable Portfolio Standard (“RPS”) costs.

All of these costs can also be readily identified and easily quantified. Thus, to the extent they are not already, the Suppliers request that the Authority also require the EDCs to directly recover all of these costs on a dollar for dollar basis in their bypassable rates.

Moreover, if The Connecticut Light and Power Company (“CL&P”) is authorized to engage in more active management of the power procurement process,¹³ its portfolio management and hedging costs are expected to increase. In addition, CL&P’s active portfolio management (even for a portion of CL&P’s load) may result in other new or increased costs. For instance, CL&P may be required to post collateral with wholesale suppliers and may have increased working capital and/or financing costs. In addition, there may be other new or increased costs of which the Suppliers are not yet aware. Since all of these costs will result from CL&P’s procurement and provision of Standard Service and Last Resort Service, consistent with cost causation principles, the Suppliers request that the Authority require CL&P to directly recover all of these costs on a dollar for dollar basis in its bypassable rates.

Lastly, the Authority should ensure that each of the costs included in each rate component capture all applicable costs. For instance, although both EDCs include Regulatory Commission Expense/Regulatory Assessment Expense as a bypassable charge, it is not clear if that expense includes assessments imposed by both the Authority *and* the Connecticut Siting Council (“Council”). Pursuant to Connecticut General Statutes section 16-50v, the Council assesses its expenses “among those persons having gross revenue from the sale of electric power at retail in the state in excess of one hundred thousand dollars during the preceding calendar year, in the proportion which the gross revenue of each such person bears to the aggregate gross revenues of all such persons.”¹⁴ Since the Council’s assessment is based on the sale of electricity, these costs are related to the provision of energy. Accordingly, the EDCs should directly recover all of these costs on a dollar for dollar basis in their bypassable rates.

¹³ See Docket 12-06-02, *Request for PURA Review of Power Procurement Plan*, Proposed Procurement Plan, dated June 1, 2012, at § 2.3 (seeking to authorize CL&P to self-manage 20% of its remaining 2013 Standard Service load).

¹⁴ Conn. Gen. Stat. § 16-50v(b)(1) (emphasis added).

CERTIFICATION

I hereby certify that a copy of the foregoing was sent to all participants of record on this
26th day of September 2012.

A handwritten signature in black ink that reads "Joey Lee Miranda". The signature is written in a cursive style with a large initial "JL".

Joey Lee Miranda